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# INTERNATIONAL COOPERATION FOR ECONOMIC GROWTH AND DEVELOPMENT: IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES

## Letter dated 30 July 1992 from the Chargé d'affaires a.i. of the Permanent Mission of Argentina to the United Nations addressed to the Secretary-General

I have the honour to enclose information relating to the implementation of paragraphs 21, 23 and 24 (national level); 34 (regional level); and 32 and 33 (global level) of General Assembly resolution S-18/3 of 1 May 1990, relating to the implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries.

This information is provided in accordance with paragraph 1 of General Assembly resolution 46/144 of 17 December 1991 and as a contribution to the assessment of this topic which the Secretary-General is to provide at the forty-seventh session, in accordance with the provisions of paragraph 4 of resolution 46/144 (see annex).

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I should be grateful if you would have this letter and its annex circulated as a document of the General Assembly under item 85 (a) of the provisional agenda.

(Signed) Alfredo V. CHIARADIA
Minister
Chargé d'affaires a.i.

ANNEX

REPORT ON ARGENTINA'S ACHIEVEMENTS OVER THE PAST YEAR IN RELATION TO GROWTH AND COOPERATION AT THE NATIONAL, REGIONAL AND GLOBAL LEVELS

NATIONAL LEVEL

In general terms, the main variables defining the macroeconomic situation moved in a highly favourable direction during 1991, consistent with the guidelines and provisions established by the economic authorities at the time the convertibility plan was launched at the beginning of last year.

In the major aggregates, as described in greater detail below, for the first time in many years Argentina experienced - in the context of a severe adjustment programme - sustained growth accompanied by general stability, a growing fiscal surplus and a rising level of employment, without significant negative repercussions on the balance of payments.

This has had direct consequences both on external expectations and on specific achievements, the former clearly demonstrated by the favourable reception and support received by Argentina during the consideration of its trade policy in the General Agreement on Tariffs and Trade (GATT), in March 1992, and the latter by Argentina's entry into the Brady Plan and its gradual return to the capital market, which is crucial to the viability of an economic policy system such as that currently being followed.

Also, thanks to progress achieved in the adjustment programme, the creation of a more transparent and rational economic setting has made it possible to promote and deepen structural reforms. This has primarily been possible because the slowing of inflation has exposed the inefficiency of sectors whose economic viability is severely limited by the absence of subsidies or by very burdensome protection levels - from the point of view of transfers to the consumer and of the mean efficiency of the economy - and has also made it possible to identify those sectors which are more efficient and have greater production potential.

To that end the present administration has, over the course of the year, undertaken a number of initiatives which, in conjunction with the guidelines described in the previous report aimed at reducing and restructuring public spending, are designed to deregulate and simplify the context in which decisions are taken thereby heightening the degree of predictability of the system and accordingly reducing the risk to the country.

A few figures will demonstrate the great efforts which Argentina has had to make in order to undertake such an extensive restructuring programme. For example, the monthly variation in the consumer price index, which, in February, reached 28 per cent per month, remained in single-digit figures and decreased steadily throughout the second half of the year, to the point where

December closed with a 0.4 per cent variation from the previous month, giving an accumulative annual variation rate, item by item, of 74 per cent.

Likewise, and in contrast to the classic stabilization scenario, Argentina's stabilization plan has not been accompanied by a recession, except in the south during the first period of implementation, and the gross domestic product has even grown by 6.5 per cent (by 18 per cent in the industrial sector). The purchasing power of salaries has shown a similar trend, due not only to the abrupt slow-down in inflation, but also to the increase in hours worked and the re-emergence of consumer credits.

In this connection, while the necessary conditions are still lacking for the emergence of any financing of an even longer-term nature, and, therefore, more consistent with investment needs, the confidence generated by convertibility has also been reflected in the increased money demand, up from from 3.1 per cent to 4.7 per cent of the gross domestic product, and in the precipitous drop in rates, with the call rate (for interbank credits) falling from a nominal annual rate of 95 per cent to 14.9 per cent.

The gross investment rate has likewise reached 10.5 per cent, as against 6.8 per cent for the previous period, which in terms of annual variation means a 54.5 per cent increase, thus reversing a destructive trend which previously seemed to be of a structural nature.

In the industrial sector, taking a percentage variation index based on 1970 figures, the variation recorded in 1990 was 13.03 per cent on a value of 127.5 per cent with labour demand increasing during the same period by 174 per cent, which led to a significant drop in the unemployment index, from 7 per cent in October 1989 to 5.3 per cent in October 1991, measured as a percentage of the economically active population in the country's main urban areas.

To a large extent, the highly favourable development of the indicators outlined above remains very closely linked with the significant improvement in the performance of tax obligations, the consequence both of the progressive simplification of the system, which is focused increasingly on value added tax (VAT), and of the substantial improvement in the collection of taxes. This improvement is due not only to increased efforts, but also, and to a large extent, to a significant decrease in the levels of tax evasion. In the case of VAT, the percentage of collection as a percentage of the gross domestic product has grown, in just nine months since the institution of the convertibility plan, from 3.2 per cent to 5.8 per cent.

At the beginning of November a system for checking and monitoring the main groups of taxpayers was introduced which will make it possible, by the end of 1992, to keep track of a group of 30,000 taxpayers who account for 85 per cent of tax income.

On the other hand, the increased level of fiscal discipline, as far as income is concerned, is not confined to improvements in the area of collection

or tax evasion; such mechanisms as the imposition of severe fines for non-compliance as well as the temporary closure of many businesses (400 during the month of August 1992 alone) have given clear signals to the entire business community to the effect that the adjustments are irreversible.

As far as expenditure is concerned, the staff rationalization programme was stepped up in 1991 both in the central administration and, through a privatization programme, in public enterprises. In the State enterprises, the privatization programme resulted in the retrenchment of 38,000 jobs, of which 27,000 were eliminated through voluntary retirement, and the additional retrenchment of 120,000 jobs is planned for 1992.

In combination, all these measures resulted in the elimination of the fiscal deficit in 1991 by increasing income by $5,300 million over a three-year period and making cuts totalling $1,000 million for the same period. A breakdown of this process shows that, from the budgetary point of view, the provincial administrations still constitute serious bottlenecks, for many of the same reasons set forth in the 1990 report.

In the same context, Government spending for the same period as that in the previous paragraph was cut by more than $4,400 million while, at the same time, transfers to the provinces under all headings increased by $1,400 million and those to the social security system by $2,000 million.

It should also be noted that during 1991 the provinces received, through federal partnership, a record amount of resources, demonstrating perceptible reductions in the fiscal deficit would be accompanied by improvements in the quality of social services administered by provincial governments.

As for the timetable for the payment of domestic public debt, consisting essentially of contractual obligations to State suppliers and to the social security system, this debt was entirely refinanced during August 1991 with a 16-year bond in the case of State and other suppliers and a 10-year bond for pensioners and retirees.

The magnitude of these figures takes on still greater significance in the light of the elimination of one of the most distorting mechanisms that existed in the Argentine economy: the deficit in the public finance sector, caused primarily by rediscounting and the advances granted by the Central Bank to cover the operational deficits both of enterprises and of national and provincial agencies, and also by interest paid on interest-bearing reserves, by the pre-financing of foreign trade operations and by guaranteeing the deposits of banking houses that have gone into liquidation. The total amount recorded for the quasi-fiscal deficit under all these headings for the year 1989 alone exceeded assets for the same period.

The fulfilment of the fiscal targets, which during most of the year exceeded the expectations of the multilateral credit organizations, has led to an improvement in the external financing capacity. At the end of July the granting of a $1,400 million standby credit was announced, the first

instalment of which, $260 million, was paid immediately. The second required an additional agreement with the International Monetary Fund (IMF) (although this did not constitute a major obstacle) regarding the percentage of the income from privatization measures which could be included in the fiscal surplus.

Negotiations with the Paris Club led to the restructuring of $1,500 million of debt which fell due between July 1991 and July 1992, refinancing being secured for 10 years with a 6-year grace period.

The clearest indication of Argentina's increased external creditworthiness is given by its return to the international capital markets, through the issue of 300 million Eurobonds in September 1991. This issue was originally to be only 100 million, but it was promptly increased following the positive response by foreign investors. These bonds, initially offered at a rate of 11.286 per cent, swiftly dropped to 10.72 per cent and shortly thereafter to 9.5 per cent, a level entirely compatible with countries classified as low risk.

Where the institutional framework is concerned, the most important development during the period under review was without doubt the deregulation decree (Decree of the Executive No. 2284/91) of 1 November 1991. This decree repeals a wide range of norms and regulations, with the aim of removing red tape and cutting the bureaucratic costs of an economy choked by a tangle of regulations and supervisory bodies which were introduced in response to a completely different economic context.

The decree in question is divided into eight chapters, which cover deregulation under the following headings:

- Domestic trade in goods and services;
- Foreign trade;
- Regulatory bodies;
- Fiscal reform;
- Capital market;
- Single social security system;
- Collective bargaining;
- General provisions.

The end result has been the lifting of a great number of restrictions on trade, on the conduct of lawful businesses and on labour, which resulted either from the regulations mentioned above or from the existence of administrative organizations, boards, regulatory bodies and decentralized agencies.

In domestic trade, the effect has been to lift all limitations on the supply of goods and services (in both wholesale and retail trade) throughout the country, as well as those affecting the availability of information to consumers or users regarding prices, technical or commercial characteristics or any other aspect of goods and services, which distorted the free play of supply and demand forces.

In addition, the chapter contains specific provisions for the deregulation of road transport, permitting free contracting between carriers and their clients, the only remaining limitation being the police regulations covering transport safety and maintenance of the road system.

In the future, provincial regulations which are contrary to the freedom of trade and transport will be declared unconstitutional by the Supreme Court on application from the Attorney-General's Office.

As for professional services, the effect has been to nullify all declarations of public policy concerning tariffs, scales, commissions or rates affecting fees or any other form of remuneration for professional services not covered by the labour legislation or by collective labour agreements. This measure applies to all types of activity, including the financial markets.

As a result, no public or private body may henceforth directly or indirectly impede or obstruct the free contracting of fees, commissions or any other form of remuneration not covered by the labour legislation or by collective labour agreements, should the parties concerned wish to deviate from the prevailing rates.

The deregulation also covers the distribution of medicines, entitling any individual or body corporate to own pharmacies without any restriction on their location, and authorizing the sale of patent medicines listed by the health authorities as available without prescription in other types of establishments which are equipped to operate as pharmacies.

Authorization is also granted for the import of medicines developed and prepared for sale to the public in laboratories, pharmacies, drug stores, public hospitals and service centres.

As far as foreign trade is concerned, the general effect is to lift all restrictions, quotas or any type of quantitative limitation on exports or imports of merchandise, subject to the decision of the implementing authority.

As for the procedures connected with foreign trade, these have been extensively simplified with the elimination - except for restrictions under previous international agreements and agreements of a health nature - of all the operations, authorizations or other administrative acts previously associated with export tranasactions and customs documentations for the processing of shipments.

Additional preferences designed to promote the sale of Argentine products, such as those established by Decree No. 1224 of November 1989, have also been rescinded. Regulations of this type will apply only when there is parity of conditions (price and quality) between the goods and services supplied by national and foreign enterprises.

At the same time, all restrictions based on the origin and routing of merchandise and the regulations covering cargo preferences, established by Acts Nos. 22.763, 18.250 and 23.341, are set aside.

Authorization is also granted to importers, unless they expressly request otherwise, to complete clearance formalities on the spot and provisions are made for the payment of all domestic taxes on imported products and of all other consumer charges to be covered by a single certificate.

The chapter on regulatory bodies contains provisions for the disbanding of all administrative units below the level of national directorates, general directorates or their equivalent which are responsible for implementing and monitoring the activities and supervisory functions eliminated by the deregulation decree.

Provisions are also made for the transfer of the functions performed by the disbanded bodies to the appropriate secretariats or ministries, particularly with regard to activities related to foreign and domestic agricultural trade policies, including all aspects of compliance with commitments under international agreements.

Thus, following the disbanding of the National Meat Board and the National Grain Board, a large number of functions have been transferred to the National Secretariat for Agriculture, Livestock and Fisheries, on the one hand, and to the National Service for Animal Health and the Argentine Institute for Plant Health and Quality, on the other, in accordance with their respective areas of competence.

As far as tax reforms are concerned, an entire series of taxes on the foreign and domestic marketing of both meat and cereals has been eliminated. These also include taxes which previously applied to auctioneers and other intermediaries in livestock, meat and agricultural by-product transactions.

The consular fee has been abolished as well as any requirement for consular involvement in the documentation covered by these regulations. The fee charged for the compilation of export statistics has also been abolished.

Virtually all charges applicable to funds for the promotion of specific industrial sectors, such as the promotion of the ship-building, aircraft and road machinery industries and the Merchant Navy Fund, have been abolished.

The tariff exemptions granted for the import of raw materials, inputs and materials intended for the production of primary aluminium have been abolished.

With regard to the operation of the capital market, exemption from the taxes levied under the Stamp Act is granted to all instruments, acts and operations of any kind linked to or necessary for increasing equity capital. Consequently, the issuing of securities or any other type of instrument intended for public sale is exempt from the taxes concerned.

Exemptions in the securities market are much broader and also extend to capital gains tax on profits derived from purchase and sale operations, exchange or barter operations or from the disposal of shares, bonds and other securities obtained by natural or legal persons.

From an institutional point of view, the National Securities Board is the body responsible for determining the information requirements which must be met both by companies intending to go public and by authorized brokers. It also authorizes the fixing of dealers' commissions for the various types of operations and lays down the requirements for the presentation of accounts.

A further reform with major fiscal implications is the creation of the single national social security system, which will assume all the functions and objectives previously the preserve of the different social insurance funds. In this connection, a unified social security contribution is being introduced, the collection and control of which will be the responsibility of the single social security system.

In this case, as in previously mentioned instances where the various regulatory bodies have been dissolved, the staff concerned have been transferred to other Government agencies, notably those which have taken over the remaining functions of the bodies dissolved or are particularly important for the purposes of current policy, such as the Department of Taxation or the National Customs Administration.

The broad spectrum of measures contained in the deregulation decree, briefly described in the preceding paragraphs, is designed to establish conditions favourable to the development of an economic system free from bureaucracy and rational in its operation, once minimum levels of stability and fiscal balance have been achieved. Bearing in mind also the specific monetary and fiscal context in which the Argentine economy is developing following the introduction of convertibility, it is hoped that this initiative will gradually lead to a fall in the costs of industrial production and marketing to a level consistent with the degree to which the economy has been opened up to the outside.

In fact, this is one of the few mechanisms, available to the present Government - if not the only one - capable of improving the competitiveness of exports in the immediate future. This is because, given that subsidies are ruled out by the nature of the current plan, there are no short-term prospects of a significant increase in average output through changes in the production sector, either by means of technological innovation or through large-scale transfer of more modern technologies.

In this connection, the increase in consumption generated by the sharp

fall in inflation has highlighted the problems caused by the extremely antiquated state of the country's industrial infrastructure - a product of decades of disinvestment - which in some sectors is at least 15 years old on average and today represents one of the main obstacles to sustained economic growth. Consequently, the strategy followed to date has been a highly pragmatic one, geared to the priorities dictated by the unprecedented economic crisis of just over two years ago.

The stability achieved through the convertibility strategy was seen as a last resort to curb the inflationary spiral, the large-scale flight of capital and the gradual deterioration of the social fabric, in a situation where economic activity traditionally took place against a background of total uncertainty.

Almost one year after the implementation of the convertibility plan, and with the restructuring and deregulation programme now at quite an advanced stage, it can be said that progress has been highly encouraging, although this may be a premature conclusion. Compared to other adjustment programmes, the convertibility plan has achieved undoubted successes which have been acknowledged both by politicians and by analysts representing a broad spectrum of views.

In the first place, although this may be the first time in decades that Argentina has undertaken structural reform of the public sector, not only have there been no recessionary effects (fall in industrial production, employment, etc.), but there has been increasing growth in economic activity.

In addition, the sharp fall in the rate of inflation was directly reflected in interest rates, as a result of both the fiscal adjustments already mentioned and the rescheduling of public debt over a longer term. On the one hand, this removed the distortions which the State was causing in the financial market by carrying over a public debt in the region of $7 million every week, and led to a real rate of exchange higher than the current one. On the other, the evidence that the changes were permanent, together with the substantial improvement in all indicators, led to an influx of external capital unthinkable only a year ago.

It should also be noted that this time the bulk of external capital was not channelled into the finance sector (since despite the removal of the exchange risk the continuing fall in rates made it less and less attractive) but rather into the budding capital market. This led to a considerable increase in the volume of trading on the local stock exchange, which became the most attractive option for investors, thereby enabling a significant number of local companies to avail themselves of this type of funding mechanism.

As a preliminary assessment, it can be said that Argentina is embarking unilaterally on a process designed to transform and open up its economy which would have been totally unthinkable only a few years ago and whose long-term viability is increasingly dependent on the prospects for more transparent and more rational regulation of the international trade environment.

REGIONAL LEVEL

Argentina's foreign policy priorities include the creation of regional economic spaces. The most encouraging experience in this connection has been the progress achieved so far both with respect to the conclusion of the Protocols with Brazil in 1988 and as regards more ambitious and recent initiatives such as MERCOSUR.

MERCOSUR is an economic grouping of considerable size representing more than $500 billion and made up of countries which together account for more than 60 per cent of the trade conducted under the preferences scheme negotiated in ALADI.

In assessing the progress of MERCOSUR to date, account must first be taken of the difficulties (from the standpoint of economic assessment) posed by unstable economies and very rapid structural changes (such as those currently being experienced by our country).

This means that in evaluating key indicators, such as those which reflect the evolution of intra-community trade, it is very difficult to determine what percentage of the increase is really due to progress in integration and what to the very unstable economic conditions (especially in the fiscal and exchange rate situations) which the countries of the region have traditionally experienced.

It is clear, however, that much of the increase in interregional trade over the last few years has been due to the integration process. In the particular case of Argentina, the first few years of the Treaty on Integration, Co-operation and Development between the Argentine Republic and the Federative Republic of Brazil have been marked by a sustained growth in the level of bilateral trade. A comparison of the periods 1985-1987 and 1988-1990, for example, shows rates of 22 per cent and 35 per cent respectively, which represents a net rise of 60 per cent in the rate of increase.

In the case of MERCOSUR the figures are even more encouraging, with a 45 per cent increase in the value of intra-community trade being posted in 1991 ($6.264 million as against $4.320 million in 1990).

Although an analysis of these figures clearly shows a positive trend in terms both of trading relations and of more dynamic regional activity by the partners in MERCOSUR, it should be made clear that the degree of linkage between these economies is still very low, to the point where intra-community trade represents on average little more than 10 per cent of the four countries' total trade, while in the case of the European Economic Community, this figure was already more than 40 per cent in the 1950s, and in the case of more recent initiatives, such as NAFTA, the rate is well above 60 per cent.

Despite these major gains on the trade and institutional fronts, many significant differences remain in the area of economic policies which subordinate or condition progress to the particular economic situations prevailing in each country, making it very difficult or unfeasible in the short term to achieve a minimum of coordination of macroeconomic policies.

In this connection, the second meeting of the Council of the common market - comprising the Ministers for Foreign Affairs and the Ministers of the Economy - held in the city of Las Leñas, Argentina, from 26-27 June 1992, has given fresh impetus to the integration process with a view to achieving in 1994 the objectives set forth in the Treaty of Asunción.

Participants in that meeting included Presidents Carlos Saúl Menem, Fernando Collor de Melo, Andrés Rodriguez and Luis Alberto Lacalle, as well as other ministers of State, members of the Common Market Group and the President of the Inter-American Development Bank (IDB), who was specially invited.

The most important issues discussed during the meeting included the following.

The reaffirmation of strict respect for democratic institutions as a necessary condition for the viability of MERCOSUR.

The need for growth to occur in a context of stability, in which the market is given priority in the allocation of resources, and in a context of stability, liberalization and modernization.

The Presidents stressed the importance of the schedule of proposed measures which were adopted by decision No. 01/92 of the Council of the common market. This document, whose legal basis stems from the Treaty of Asunción, reaffirms the will of the Governments to put MERCOSUR into effect within the time-frames envisaged. It contains commitments in the form of tasks and dates for achieving the integration objectives, thereby giving private operators a clear signal of the inevitability of the process.

The meeting also reaffirmed the importance of a key aspect provided for in article 5 (b) of the Treaty of Asunción, which states that one of the key instruments for the establishment of the common market will be the "coordination of macro-economic policies", which shall be carried out gradually and in parallel with the elimination of non-tariff barriers, for the express purpose of addressing the problem of imbalances.

The meeting further underscored the importance of decision No. 03/92, which establishes a procedure for complaints and consultations on unfair trade practices. This procedure is to be used only during the transition period in respect of all claims related to rules of competition in cases where damage is caused by dumping or by the subsidization of imports.

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The meeting also adopted a series of measures relating to:

(a) Acceptance of the contents of prefabricated industrial products;

(b) Instruction to the competent agencies of each State Party to enact measures to prevent unregistered employment;

(c) Adoption of the Protocol on Cooperation and Jurisdictional Assistance in Civil, Commercial, Labour and Administrative Matters;

(d) Adoption of the triennial plan for education.

The Presidents also expressed their satisfaction over the significant increase in intra-community trade and over the progress made towards the adoption of the Brasilia Protocol on the Settlement of Disputes by the legislatures of the four countries, the forthcoming entry into force of the regime of administrative penalties for cases of falsification of certificates of origin, and the adoption of the Sectoral Agreement on Iron and Steel. They also drew attention to the importance of establishing working groups of experts on science and technology and on environment.

It should also be noted that plans for the early adoption of a programme of non-reimbursable technical cooperation by the Inter-American Development Bank are well advanced. The objective of the programme will be to finance the necessary technical studies during the transition phase up to the definitive establishment of the common market on 31 December 1994.

The four Governments reiterated their interest in the construction, through international tender and under the system of public works concessions, of the highway linking Buenos Aires and Porto Alegre through the territories of Argentina, Brazil and Uruguay and possibly extending to Paraguay and the Pacific. They also declared that this project, together with the Agreement for Transport on the Paraguay-Paraná Waterway, concluded on 26 June 1991, would constitute key elements for the physical integration of the MERCOSUR countries.

At the international level, note was taken of the very significant results achieved at the recent meeting of the Ministers for Foreign Affairs of the MERCOSUR countries with the Council of Ministers of the European Community, held at the initiative of the Portuguese Presidency of the Council, at Guimaraes, Portugal, on 2 April 1992. The Ministers affirmed that the recent signing of the inter-institutional agreement between the Commission of the European Communities and the countries of MERCOSUR was a first step towards closer cooperation between the two integration processes, which would contribute to the strengthening of the multilateral trading system.

They also reaffirmed interest in the mechanism of the Agreement on Consultation and Investment, concluded between the four countries of MERCOSUR and the United States of America, whose advisory council met recently at Buenos Aires, and which could contribute to a greater flow of reciprocal trade and investment between the parties.

Also in the area of trade relations with third countries, there was agreement on the fundamental importance of a strengthened multilateral trading system, in terms both of access to the system and the scope of coverage (new sectors such as services, intellectual property, etc.) and rules of competition. Consequently, a satisfactory outcome to the Uruguay Round of GATT is of vital importance.

Agreement was reached on the need for a practical vehicle for the systematization and direct dissemination of information on the principal developments in and achievements of the integration process.

A timetable of specific measures to be taken by each of the 11 subgroups was also established with a view to accelerating the creation of a common space by 1994. Special emphasis was placed on matters related to the rules of competition and the harmonization of macroeconomic policies, technical standards, and all aspects of customs regulations.

In general terms, the objectives of the above-mentioned timetable are a series of agreements and rules to be implemented with a view to standardizing and reducing the asymmetries in the various areas that comprise the agendas of the 11 working subgroups.

The general procedure followed in most of the subgroups is the following:

First, an exchange of information on the various sectors in order to identify the existing asymmetries. In most cases, this phase is expected to be completed by the second half of 1992;

Secondly, the elaboration of common standards or, where appropriate, of a draft of basic legislation for MERCOSUR, a task which again most of the groups expect to complete by 1993;

Lastly, the submission of the proposals agreed upon by the various subgroups to the Common Market Group (CMG) for its consideration and implementation.

The wide range of issues to be dealt with by the subgroups under the above-mentioned timetable includes the following:

Subgroup No. 1 - Trade matters

The Subgroup on trade matters drew up proposals aimed at harmonizing the trade policies of the Parties through the adoption of the following measures:

- elaboration of regulations against dumped goods or subsidized exports from non-MERCOSUR countries;

- elaboration of an instrument establishing a common policy on safeguards;

- drafting of legislation to standardize the various special customs regimes by eliminating prevailing asymmetries, particularly those found in mechanisms such as drawback, temporary admission, etc;

- drafting of a document which identifies and compares the asymmetries in the various national legislations governing the different systems and instruments for promoting exports, as a step towards the elaboration of an instrument to bring about uniform standards in these areas;

- introduction of a standard nomenclature, using the NALADI/SA as the basis for tariff breakdowns;

- elaboration of common administrative standards governing imports and exports;

- preparation of a timetable for the reduction of non-tariff barriers (NTB) to regional trade with a view to their elimination;

- harmonization of policies on duty-free and export processing zones and on all matters related to special customs zones;

- establishment of a timetable for the exchange of information among the different agencies in each country that are responsible for the publication of data;

- analysis of the various bilateral agreements signed by the member countries and their impact on the integration process.

Subgroup No. 2 - Customs matters

- Preparation of a MERCOSUR glossary;

- Harmonization of legislation in the areas of customs, migration, plant and animal health, and tourism;

- Computerized monitoring;

- Coordination of goods classification;

- Mechanisms for the simplification of border formalities;

- Application of a common system of customs valuation of imports;

- Training programmes for customs officials;

- Migrant control, plant and animal health control;

- Coordination among the agencies operating at frontier passes.

Subgroup No. 3 - Technical standards

- Procedures for disseminating among the countries information on technical standards and regulations;
- Technical standards - voluntary framework (Standardization Committee of MERCOSUR: IRAM, ABNT, INTN, UNIT);
- Net contents of packaged products and their permissible variation from applicable standards;
- Ingredients and food additives;
- Food register;
- Sales denomination - standards of identification and quality;
- Contaminants;
- Labelling of nutrient-enriched and dietetic foods and foods for special diets or for medicinal use;
- Microbiological and microscopic norms;
- Packaging and materials in contact with food;
- Health products;
- Health industry;
- Automotive industry;
- Legal metrology: instrumentation;
- Telecommunications;
- Industrial quality;
- Scientific and industrial metrology;
- Toys.

Subgroup No. 4 - Trade-related fiscal and monetary policy

- Exchange regime: option of national currencies and of the United States dollar as currency of redemption, discount of term instruments among members of ALADI, obligatory payments, foreign currency transactions, financing of imports, movement of capital, entry and negotiation of foreign currency, liberalization of the foreign exchange market and monitoring of developments in the exchange rate regimes;

- Capital market;
- Financial system;
- Insurance;
- Promotion and reciprocal protection of investments;
- Administration and quality of information.

Subgroup No. 5 - Land transport

- Transport of goods by road;
- Transport of passengers by road;
- Rail transport;
- Labour regime in the vehicle transport sector and requirements for drivers of vehicles - proposals for harmonization;
- Multimodal transport.

Subgroup No. 6 - Maritime transport

- Multilateral agreement on maritime transport;
- Common register of shipping;
- Multimodal transport;
- Labour regime for maritime and river transport;
- Navigational safety standards.

Subgroup No. 7 - Industrial and technology policy

- Harmonization of policies for industrial, regional and sectoral promotion and development;
- Common technological policy;
- Harmonization of national and provincial legislation on the environment;
- Harmonization of policies concerned with quality and productivity;
- Policies for micro, small, and medium-sized enterprises;
- Diagnostic study on sectoral competitiveness within MERCOSUR.

Subgroup No. 8 - Agricultural policy

- Harmonization, restructuring and upgrading of agricultural and agro-industrial activities;
- Harmonization of technological policies in agriculture and agro-industry;
- Harmonization of agricultural policies;
- Diagnostic study on sectoral competitiveness within MERCOSUR;
- Barriers to the free movement of agricultural products;
- Incorporation of small- and medium-sized producers into the integration process;
- Sustainability of natural resources and environmental protection in the agricultural sector;
- Register of agro-chemicals.

Subgroup No. 9 - Energy policy

- Energy legislation and institutional and organizational aspects of energy markets;
- Technological development;
- Energy prices: absolute and relative values;
- Fiscal aspects: overall tax levels and rates for each form of energy;
- Electricity frequency and fuel specifications;
- Legislation and the environment;
- Rationalization, quality and productivity;
- Guidelines for energy policies in MERCOSUR.

Subgroup No. 10 - Coordination of macroeconomic policy

- Common external tariff;
- Comparison of national, provincial, state and municipal tax systems;
- Monitoring and harmonization of macroeconomic policy;

- Harmonization of anti-trust legislation in MERCOSUR;
- Harmonization of consumer protection legislation in MERCOSUR;
- Treatment of services in MERCOSUR;
- Treatment of State monopolies in MERCOSUR;
- Establishment of an economic documentation and data bank on member countries.

Subgroup No. 11 - Labour relations, employment and social security

- Individual labour relations;
- Collective labour relations;
- Employment;
- Vocational training;
- Occupational health and safety;
- Social security;
- Labour costs in the land and maritime transport sectors;
- Agreements with ILO;
- Charter of fundamental rights.

GLOBAL LEVEL

At the global level, the priorities of the Argentine Republic are centred on the eventual outcome of the last stages of the multilateral negotiations being conducted within the framework of the Uruguay Round of GATT.

In this connection, the current deadlock in the negotiations, resulting from the lack of political will on the part of the key actors in the field of agriculture, is the main obstacle to the adoption of the Draft Final Act submitted by the Director-General of GATT late last year.

That document reflects a balance of the results achieved in the various areas of negotiation, and is intended to facilitate an agreement that would satisfy the minimum expectations of all parties.

Argentina, together with a large number of developing countries, has already given its approval to the document in the belief that, although a minimum agreement, it will strengthen the multilateral system and consequently the respective trading interests of the developing countries because of the broad range of sectors which have been negotiated.

Argentina's activity during the negotiations in 1991 was basically confined to the Cairns Group, in view of the importance to Argentina of securing meaningful commitments in the area of liberalization of international trade in agricultural products and the full incorporation of this trade into the discipline of the General Agreement.

In this regard, Argentina has already stated that, while the commitments provided for in the agreement on agriculture are based on elements of the Cairns proposals in the areas of domestic support, access to markets and competition of exports, the commitments to reduction in these three areas are very far from those originally proposed both by the Cairns group and by the United States of America.

Consequently, significant changes can hardly be expected in terms of variation in international prices, although the Draft Final Act, if adopted, will represent a major advance in the area of rules of competition and a useful framework for the progressive liberalization of the agricultural sector.

Argentina has also participated actively in other negotiating groups such as the group on services, in which it made a preliminary offer of commitments which has been recognized by most of the contracting parties as one of the proposals offering the widest coverage and greatest level of commitment. Argentina is prepared to honour these commitments provided that the results obtained in the remaining areas, and particularly in agriculture, do not alter the balance achieved in the Draft Final Act.

Finally, it should be noted that, as the contracting parties recognized on the occasion of the review in March of Argentina's trade policies, that our country unilaterally, and as a result of the programme of economic restructuring, currently has one of the most open and transparent economies. Consequently, Argentina sees the strengthening of the multilateral system through greater reciprocity in terms of openness and more effective rules of competition as one of the necessary conditions for speeding up its development.

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